

Claims 1-6 are pending. Reconsideration is respectfully requested in light of the following remarks.

A further explanation of the subject matter defined in each of the independent claims pending in the appeal, referring to the specification, is as follows:

<u>Claim</u>	<u>Patent Specification</u>
1. An electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts comprising:	
defining a plurality of investor accounts in at least one electronic database;	Pg. 5, line 30-pg. 6, line 2; Pg. 5, line 8
transferring an initial monetary amount from each of a plurality of investors to said investment entity;	Pg. 4, line 30-Pg. 5, line 6
associating said initial amount from	Pg. 4, line 30-Pg. 5, line 6

Claim

each of said plurality of investors with a respective one of said plurality of investor accounts in the at least one electronic database;

identifying the initial ownership of a patent in the at least one electronic database;

using at least one algorithm for assessing a value of the patent, and entering the assessed value of the patent in the at least one electronic database;

paying a monetary amount from said investment entity to said initial ownership of said patent upon transfer of title to a subsequent owner other than the original initial owner;

granting at least one right under the patent to said initial owner of said patent;

obtaining at least one payment from an initial user of said patent; and

allocating said at least one payment from said initial user to each respective one of said plurality of investor accounts in the at least one electronic database.

2. An electronic data processing method for use by an investment entity for allocating revenue to each respective one of a plurality of investor accounts comprising:

identify a patent covering an invention in use by at least an initial user;

identifying an initial ownership of the patent;

Using at least one algorithm for assessing a value of the patent based, at least in part, on anticipated future use of the patent by the initial user and entering the assessed value of the patent in at least one electronic database;

Patent Specification

Pg. 4, lines 20-27

Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 5, line 30-pg. 6, line 2;
Pg. 5, line 8

Pg. 4, lines 20-27

Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B

Claim

Using at least one algorithm for determining a cash flow stream containing at least one payment related to the assessed value of the patent;

paying, in at least one payment to said initial ownership, an amount related to the assessed value of the patent in the electronic database in exchange for transfer of title to said patent to a subsequent owner other than the initial ownership;

obtaining the amount paid for transfer of title from a plurality of investor accounts;

associating with each respective one of said plurality of investor accounts in the at least one electronic database the proportion of the amount paid to the initial owner that came from each respective one of said plurality of investor accounts;

granting a license to said initial user for the use of said patent from said subsequent owner in exchange for an agreement by said initial user to make at least one payment to the investment entity related to the assessed value of the patent at a specified time after the payment is made to transfer title;

collecting at least one payment from said initial user said payment being entered into the at least one electronic database; and

Using at least one algorithm for allocating to each respective one of said plurality of investor accounts in the at least one electronic database a portion of said at least one payment from said initial user related to the proportion of the payment to the initial ownership from each respective one of said plurality of investor accounts.

3. An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

Patent Specification

Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B

Pg. 4, lines 20-27; Fig. C

Pg. 4, line 30-Pg. 5, line 6

Pg. 4, line 30-Pg. 5, line 6

Pg. 4, lines 20-27; Fig. C

Pg. 4, lines 20-27; Fig. C

Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B

<u>Claim</u>	<u>Patent Specification</u>
identifying a patent;	Pg. 4, lines 20-27
identifying an original ownership of the patent;	Pg. 4, lines 20-27
using at least one algorithm for assessing a value of the patent and entering the assessed value of the patent in at least one electronic database;	Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B
using at least one algorithm for determining a future cash flow stream related to the assessed value of the patent before the time title to the patent is acquired from the original ownership;	Pg. 6, lines 4-21; Pg. 7, line 26-pg. 8, line 24; Fig. B
obtaining title to the patent for a subsequent owner in exchange for paying not more than the assessed value of the patent to the original ownership;	Pg. 4, lines 20-27; Fig. C
allocating said payment to the original ownership to a plurality of investor accounts in the at least one electronic database;	Pg. 4, lines 20-27; Fig. C
associating with each account in the at least one electronic database the percentage of the payment allocated to the original ownership from that account;	Pg. 4, line 30-Pg. 5, line 6; Pg. 4, lines 20-27; Fig. C; Fig. B
granting a license to at least the original ownership to use the patent in exchange for an agreement to pay the future cash flow stream related to the assessed value of the patent	Pg. 4, lines 20-27; Fig. C
collecting at least one payment from at least said original ownership related to said future cash flow stream;	Pg. 4, lines 20-27; Fig. C
allocating said at least one payment from at least said original ownership to each respective one of said investor accounts in the at least one electronic database in relation to the percentage of payment allocated to the original ownership from that account.	Pg. 4, lines 20-27; Fig. C

The Examiner is reminded that for determining the scope of enablement for a computer program, "enablement is determined from the viewpoint of a skilled programmer using knowledge and skill with which such a person is charged."¹ Specifically, the factors for determining the enablement of a disclosure with respect to a computer program are "the nature of the invention, the role of the program in carrying it out, and the complexity of the contemplated programming."²

Turning the Examiner's attention to the Figures, Figures A and B provide a very detailed flow chart of the method disclosed in the patent. Corresponding to these flow charts, with specificity, on pages 13-15 is a detailed description, and an example is given on pages 15-23. Applicant believes that the exemplary support already provided to the Examiner is sufficient, and the Examiner is being unreasonable. However, for the sake of comity, further support in the specification is illustrated below:

<u>Claim</u>	<u>Patent Specification Citation</u>	<u>Patent Specification Language</u>
1. An electronic data processing method for use by an investment entity for allocating payments to each respective one of a plurality of investor accounts comprising:		

¹ *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 941 (Fed. Cir. 1990)

² *Id.*

Claim

using at least one algorithm for assessing a value of the patent, and entering the assessed value of the patent in the at least one electronic database;

Patent
Specification
Citation

Pg. 6, lines 4-21;
Pg. 7, line 26-pg.
8, line 24; Fig. B;
Page 21; lines 11-
26

Patent Specification
Language

The more realistically that Patent A's present value can be estimated, the less risk is involved in the creation of a monetized financial derivative. Having a reasonably predictable risk is essential to having a viable marketplace for the securitization of patents. In the current embodiment, the derivative is structured as a purchase money instrument which pays a fixed royalty at regular intervals over the remaining life of Patent A in exchange for a license to Company T to practice A. Computation of a fixed royalty stream can be accomplished with well known algorithms for determining the required payment to return a predetermined rate of return given an initial principal amount.

(3) Annual Royalty payments on Patent A:

(i) $\text{Annual Royalty} = \text{PMT}(\text{XRAR}, \text{RPL}, \text{TECHVALUE}) =$
ROYALTY

where XRAR = Royalty Annuity Rate %/ year = 7.0%

PMT() = Annuity Computation Function

By making the additional numerical substitutions set forth in Example 1-A, the numerical results are:

For XRAR = 7.0% (Royalty Annuity %/year)

RPL = 10 Years

TECHVALUE = \$50.87 Million

The resulting output is ROYALTY = \$7.24 Million/year.

Claim

2. An electronic data processing method for use by an investment entity for allocating revenue to each respective one of a plurality of investor accounts comprising:

using at least one algorithm for assessing a value of the patent based, at least in part, on anticipated future use of the patent by the initial user and entering the assessed value of the patent in at least one electronic database;

Patent
Specification
Citation

Pg. 6, lines 4-21;
Pg. 7, line 26-pg.
8, line 24; Fig. B;
Page 22, line 4 –
Page 23, line 19

Patent Specification
Language

The computations to determine if Company T obtains an increase in present book value if it securitizes Patent A are:

$$(4) \quad \text{Net Present Value of Patent A Sale proceeds over remaining Patent life:} \\ (i) \quad \text{NPV Patent} = (1 - \text{XCGR} + \text{LDCG} * \text{XCGR}) * \text{XFees} * (\text{XBPROE})^{\text{RPL}} / \text{XBPNPVDf} * (\text{RPL}) = \text{PATENTS}$$

For: LDCG = Defer capital gains? (Y=1, N=0) = 0
XCGR = 35% (Capital Gains Tax Rate)
XFees = TECHVALUE * (1 - Fees%) = TECHVALUE
Fees% = 0 (Business Expenses for Transaction, %TECHVALUE)
XBPROE = 1.15 (Return on Equity Multiplier)
XBPNPV = 1.06 (Net Present Value Discount Divisor)
DF
RPL = 10

The resulting output is PATENTS = \$74.70 Million.

$$(ii) \quad \text{Profits- License Royalties For Year N} = (\text{IREV} * (1 + \text{RVGR})^{\text{N}} - 1) * (\text{IREV} * (\text{MTL} + \text{MFGOH} + \text{SALESEXP} + \text{ADMN} + \text{R\&DEXP})) * (1 + \text{XINFLRATE})^{\text{N}} - \text{ROYALTY} * (1 - \text{XTAXRATE}) / (1 + \text{XNPVDf})^{\text{N}} = \text{NEWNET(N)}$$

For: IREV = \$25.0 Million (First Year Sales)
RVGR = 3% (Sales Growth %/year)
N = 1 to RPL (Years of Unexpired Patent life)
RPL = 10 years (Remaining Legal Life of Patent A)
MTL = 20% (Material Cost as % Sales)
MFGOH = 10% (Manufacturing Overhead as % Sales)
SALESEXP = 15% (Sales Cost as % Sales)
ADMN = 10% (Administration as % Sales)
R\&DEXP = 5% (Continuing R\&D on a as % Sales)
XINFLRATE = 0% (Inflation %/year)
XNPVDf = 6% (Net Present Value Discount %/yr)

Claim

Patent
Specification
Citation

Patent Specification
Language

XTAXRATE = 35% (Ordinary Income Tax Rate %)
ROYALTY = \$7.24 Million (Annual Royalty)

The resulting output NEWNET(N) for years N = 1 to 10 years is:

N (Year)	1	2	3	4	5	6	7	8	9	10
NEWNET(N)(Mil \$)	\$1.8	\$2.2	\$2.5	\$2.8	\$3.0	\$3.3	\$3.5	\$3.7	\$3.8	\$4.0

(iii) New Book Value = NPV and ROE Adjustments to Sum of NEWNET(N)
= ((FOR N=1, N=RPL-1), (XBPROE*NEWNET(N)
XBPNPVDF+NEWNET(N+1))
:(XBPROE*NEWNET(RPL-1)
XBPNPVDF+NEWNET(RPL)))-PATENTS
= NEWBOOK

For: XBPROE = 1.15 (Return on Equity Multiplier)
XBPNPVDF = 1.06 (Net Present Value Divisor)
RPL = 10 years (Unexpired Patent Life) and

N (Year)	1	2	3	4	5	6	7	8	9	10
NEWNET(N)(Mil \$)	\$1.8	\$2.2	\$2.5	\$2.8	\$3.0	\$3.3	\$3.5	\$3.7	\$3.8	\$4.0

The resulting output is NEWBOOK = \$117.49 Million.

(iv) Change in Book Value = NEWBOOK-BOOK = VALUECHANGE
For: NEWBOOK = \$117.49 Million
BOOK = \$99.37 Million

The resulting output is CHANGEVALUE = \$18.12 Million

The foregoing algorithms permit Company T to compare the difference between BOOK and NEWBOOK. If CHANGEVALUE>0, it is to Company T's advantage to sell and back license Patent A. The algorithms also permit Company T to determine any interim CHANGEVALUE(N) between NEWBOOK(N) and BOOK(N) by substituting any year N for the variable RPL where 1 ≤ N ≤ RPL.

using at least one algorithm for determining a cash flow stream containing at least one payment related to the assessed value of the patent;

Pg. 6, lines 4-21;
Pg. 7, line 26-pg.
8, line 24; Fig. B;
Page 21; lines 11-26

The more realistically that Patent A's present value can be estimated, the less risk is involved in the creation of a monetized financial derivative. Having a reasonably predictable risk is essential to having a viable marketplace for the securitization of patents. In the current embodiment, the derivative is structured as a purchase money instrument which pays a fixed royalty at regular intervals over the remaining life of Patent A in exchange for a license to Company T to practice A. Computation of a fixed royalty stream can be accomplished with well known algorithms for determining the required payment to return a predetermined rate of return given an initial principal amount.

(3) Annual Royalty payments on Patent A:

(i) Annual Royalty = PMT(XRAR,RPL,-TECHVALUE)=
ROYALTY

where XRAR = Royalty Annuity Rate %/ year = 7.0%

PMT() = Annuity Computation Function

By making the additional numerical substitutions set forth in Example 1-A, the numerical results are:

For XRAR = 7.0% (Royalty Annuity %/year)
RPL = 10 Years
TECHVALUE = \$50.87 Million

The resulting output is ROYALTY = \$7.24 Million/year.

Claim

using at least one algorithm for allocating to each respective one of said plurality of investor accounts in the at least one electronic database a portion of said at least one payment from said initial user related to the proportion of the payment to the initial ownership from each respective one of said plurality of investor accounts.

**Patent
Specification**

Citation

Pg. 6, lines 4-21;
Pg. 7, line 26-pg.
8, line 24; Fig. B;
Page 4, line 27 –
Page 5, line 3

Clearly, an
ordinarily skilled
programmer would
be able to perform
this task based on
the cited text and
Figures.

**Patent Specification
Language**

To securitize a patent or other intellectual property, the entity acquiring the patent must truly become the owner of the patent so that the favorable tax treatment associated with the sale of a capital asset can be achieved. Further, the acquiring entity must obtain investment capital using recognized financial transactions. Therefore, the method of securitizing a patent described herein includes related but separate financial transactions, one of which is the true transfer of title to one or more patents and the other is in the form of an assignable investment instrument, including a system of obtaining payments from the former patent holder and allocating payments to one or more investors. The invention is discussed in more detail below with respect to an owner of a single patent. Nevertheless, the methods disclosed herein are applicable to a portfolio of multiple patents and to other types of intellectual property, as well.

Claim

Patent
Specification
Citation

Patent Specification
Language

3. An electronic data processing method for use by an investment entity for allocating revenue to the accounts of each respective one of a plurality of accounts comprising:

using at least one algorithm for assessing a value of the patent and entering the assessed value of the patent in at least one electronic database;

Pg. 6, lines 4-21;
Pg. 7, line 26-pg.
8, line 24; Fig. B;
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The more realistically that Patent A's present value can be estimated, the less risk is involved in the creation of a monetized financial derivative. Having a reasonably predictable risk is essential to having a viable marketplace for the securitization of patents. In the current embodiment, the derivative is structured as a purchase money instrument which pays a fixed royalty at regular intervals over the remaining life of Patent A in exchange for a license to Company T to practice A. Computation of a fixed royalty stream can be accomplished with well known algorithms for determining the required payment to return a predetermined rate of return given an initial principal amount.

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where XRAR = Royalty Annuity Rate %/ year = 7.0%

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By making the additional numerical substitutions set forth in Example 1-A, the numerical results are:

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RPL = 10 Years
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The resulting output is ROYALTY = \$7.24 Million/year.

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using at least one algorithm for determining a future cash flow stream related to the assessed value of the patent before the time title to the patent is acquired from the original ownership;

Patent Specification Citation

Pg. 6, lines 4-21;
Pg. 7, line 26-pg.
8, line 24; Fig. B;
Page 22, line 4 –
Page 23, line 19

Patent Specification Language

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(i) Net Present Value of Patent A Sale proceeds over remaining Patent life:
(i) $NPV \text{ Patent} = (1 - XCGR + LDCG + XCGR) * XFees * (XBPROE)^{RPL} / XBPVPVDF^{RPL} = PATENTS$
For: LDCG = Defer capital gains? (Y=1, N=0) = 0
XCGR = 35% (Capital Gains Tax Rate)
XFees = $TECHVALUE * (1 - Fees\%) = TECHVALUE$
Fees% = 0 (Business Expenses for Transaction, %TECHVALUE)
XBPROE = 1.15 (Return on Equity Multiplier)
XBPVPV = 1.06 (Net Present Value Discount Divisor)
DF
RPL = 10

The resulting output is $PATENTS = \$74.70$ Million.

(ii) Profit- License Royalties For Year N = $(IREV * (1 + RVGR)^{(N-1)} - (IREV * (MTL + MFGOH + SALESEXP + ADMN + R\&DEXP))) * (1 + XINFLRATE)^{(N-1)} - ROYALTY * (1 - XTAXRATE) / (1 + XNPVDF)^{(N-1)} = NEWNET(N)$
For: IREV = \$25.0 Million (First Year Sales)
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XTAXRATE = 35% (Ordinary Income Tax Rate %)
ROYALTY = \$7.24 Million (Annual Royalty)

The resulting output $NEWNET(N)$ for years N = 1 to 10 years is:

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$NEWNET(N)$ (Mil \$)	\$1.8	\$2.2	\$2.5	\$2.8	\$3.0	\$3.3	\$3.5	\$3.7	\$3.8	\$4.0

(iii) New Book Value = NPV and ROE Adjustments to Sum of $NEWNET(N)$
= $((FOR N=1, N=RPL-1), (XBPROE * NEWNET(N) / XBPVPVDF + NEWNET(N+1)))$
= $(XBPROE * NEWNET(RPL-1) / XBPVPVDF + NEWNET(RPL)) = PATENTS$
= NEWBOOK

For: XBPROE = 1.15 (Return on Equity Multiplier)
XBPVPVDF = 1.06 (Net Present Value Divisor)
RPL = 10 years (Unexpired Patent Life) and

N (Year)	1	2	3	4	5	6	7	8	9	10
$NEWNET(N)$ (Mil \$)	\$1.8	\$2.2	\$2.5	\$2.8	\$3.0	\$3.3	\$3.5	\$3.7	\$3.8	\$4.0

The resulting output is $NEWBOOK = \$117.49$ Million.

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Applicant believes that the support illustrated above would enable a skilled programmer to make and use the invention without undue experimentation. Accordingly, Applicant respectfully requests that the rejections of Claims 1-3 in view of 35 U.S.C. §112, first paragraph, be withdrawn. If the Examiner is still not persuaded, Applicant believes that this, too, to be an irresolvable issue for consideration by the Board of Patent Appeals and Interferences.

Rejections under 35 U.S.C. §103

Claims 1-6 stand rejected under 35 U.S.C. §103(a) in view of U.S. Patent No. 5,126,936 to Champion ("Champion"), "The Valuation of Health Care Intangible Assets" by Reilly ("Reilly"), U.S. Patent No. 6,018,714 to Risen ("Risen"), and DeMatteis, Bob "From Patent To Profit: Secrets & Strategies for the Successful Inventor" © 1998 ("DeMatteis"). Applicant maintains the same position as stated in the Appeal Brief filed on April 11, 2006 to expedite an appeal.

Conclusion

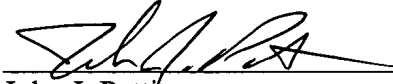
Applicant has included a check in the amount of sixty dollars (\$60.00) to cover a one-month extension of time fee. Additionally, Applicant does not believe that any other fees are due because the fees paid for the Notice of Appeal filed on October 11, 2005 should apply to the Notice of Appeal filed herewith. In the event that any fees are due, the Commissioner is hereby authorized to charge any required fees due (other than issue fees), and to credit any overpayment made, in connection with the filing of this paper to Deposit Account 50-2180 of Storm LLP.

Should the Examiner require any further clarification to place this Application in condition for allowance, the Examiner is invited to telephone the undersigned at the number listed below.

Respectfully submitted,

Dated: November 3, 2006

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